Subsidy Processes and Payment Practices

Moderator: Welcome to this Early Head Start-Child Care Partnership Office Hour. Be sure to download all handouts, videos, and slides prior to viewing the Office Hour. During the presentation, you may be asked to pause the Office Hour and complete an activity, such as viewing a video, reviewing a handout, or reading a resource. Once you complete the action, return to the Office Hour and continue viewing. Now let's get started with this Office Hour.

Don Beltrame: Welcome everyone to the post-orientation Office Hour session on CCDF Subsidy Authorization Processes and Provider Payment Practices. I'm Don Beltrame from the National Center on Child Care Subsidy Innovation and Accountability. With me today is my co-panelist Kathie Boling also from the Subsidy Center.

Kathie Boling: Hi, everyone.

Don: Okay. Today, again the topic is subsidy authorization processes and provider payment practices. I'd like to talk to you a little bit about what the status of the program is right now. Currently, federal law provides a lot of flexibility to states to establish eligibility policies, payment policies that meet the specific needs of their state. Central to the discussion is how states authorize and pay for child care.

We know that policies that are family-friendly, child-focused and provide increased financial stability to families also provide greater access to higher quality care. This two-generation approach, the parent- and provider-focused policies, is a major fundamental change and principle of the 2014 CCDBG re-authorization legislation. As a result of reauthorization and other OCC changes, the subsidy program is undergoing a major transformation right now.

Lead agencies have more flexibility to develop policies that support parents, child care providers, and the education needs of young children. Early Head Start programs can also benefit by working with lead agencies to maximize full-time enrollments and receiving increased and more consistent financial support for the services that they provide. Because each state's program is unique, the Early Head Start child care grantees should work closely with their CCDF lead agency and their local administrative entities to determine how the subsidy program can best support the goals and objectives of the EHS-CC partnerships.

On this slide, we just give a brief overview of how the process works for determining eligibility and authorizing payment, so this visual shows you that there are three primary steps: first, the parent applies for the program; this can be done in person, by mail, electronically, multiple formats. States usually process new applications and determine eligibility within 30 days — actually, it's usually well within 30 days. The process can take several days or several weeks, much of it depends on both the application volume and how long it actually takes the eligibility workers or case workers to obtain the required forms and documentation that's needed to establish eligibility.

Once eligibility is established, the next step is to authorize benefits for children of eligible families, and we will be discussing the authorization process in a little bit more detail later on in this presentation.

And then the final step is actually to issue payments; generally, they're issued to the provider, but there are some situations where payments are sent to the parent. So we'll discuss some of these points in more detail later on in the presentation. What is important, and I'd like to point out, is that today Kathie and I will use the terms “states” or “lead agencies” or “state agencies” to include states, territories, and tribal entities; it includes all three of those entities. And, so, next, I'm going to turn you over to Kathie, and she's going to talk a little bit about subsidy priority service categories.

Kathie: Hi everyone. Let's review the CCDF subsidy priorities. Head Start and Early Head Start has a slightly different priority group, but the two will ensure that the children with the most need will be able to access the services within the partnership programs. Unlike Medicaid and SNAP, CCDF is not an entitlement program; funding is limited. CCDF agencies must give priority to serving children's families with very low income and children with special needs.

The Early Head Start Partnership must also prioritize the homeless children; improving access to full-day services for children of homeless is an area of emphasis under CCDF's reauthorizations. States may establish priority service categories and partner with other agencies to refer children who may be eligible for the Early Head Start Child Care Partnership child care programs. For example, states may provide priority services to minor parents attending high school or an adult education, a technical assistance school, vocational secondary school programs, which leads to a high school diploma or a certificate.

Let's look at some key authorization policies that help guide the CCDF eligibility and programs. We want Early Head Start and CCDF lead agency partners to be able to sit down at the table and know that there are many opportunities for making program policies work to support low-income working and education activities and support the partnership.

This is because CCDF lead agencies have considerable flexibility in determining how they operate their subsidy program. Eligibility for CCDF subsidy is generally based on family income and requirements for parents to be working or attending approved education or training activities. There are federal rules and the lead agencies have options for further policy making. Both Early Head Start and CCDF serve families below the federal poverty level, so there is significant overlap in the population served. CCDF can also support families in higher income ranges up to 85 percent of the state median income, which could be between 250 percent and more than 400 percent of the federal poverty level for a family of four.

CCDF can confidentially refer families with infants and toddlers to their Early Head Start partners when family income is below the poverty level. The subsidy program can also refer families who are on CCDF waiting lists to Early Head Start after performing a simple income screening. This approach works the other way as well; Early Head Start partners can refer families with income below the federal poverty level to CCDF, knowing that they meet the subsidy program income eligibility limit.

The parent activities — our states can define employment, education, and training activities but they have flexibility in doing that. States can allow a broad range of these activities, such as high school completion or skill training in addition to employment. Each state sets those rules, so you should be working together to see if the policies can allow families to be eligible for subsidy and Early Head Start.

When families are able to retain their eligibility during a period of searching for a job, it can take considerable stress off of the family and help them in getting back into the workforce and support their children's development. Imagine how it would help to have your child stay with a trusted, high quality provider at that time. And Don is going to be giving the details of authorization.

Don: Thank you, Kathie. Authorization is the next step that we take when a family has already been determined eligible for benefits. It actually is the process by which the states approve benefit payments for eligible children, and there's three primary methods that states use to authorize subsidy benefits or payments: the first one is child care certificate, there's also child care vouchers, and then some states also have direct service contracts or grants with providers.

The child care certificate is a document that authorized benefits for a specific child and a specific child care provider. In other words, Don Beltrame is attending care with ABC Daycare. So it's for a specific child and a specific child care provider. The certificate indicates the number of hours that have been approved for payment, the actual amount of the subsidy, and the period of time that the certificate covers or is value for.

For example, a certificate might be issued for six months or for twelve months or for a year, depending on the state and the state's policies. Some states refer to certificates as authorizations, payment authorizations, scholarships, benefit award; they use a variety of other names including vouchers. Sometimes and often vouchers and certificates are used as interchangeable terms, but by far and away, certificates are the most common method that states use to authorize subsidy benefit payments.

Just a little bit about a voucher — technically, it is different from a certificate. States issue vouchers to a parent, not to a daycare provider. The parent uses the voucher to go out into the market and select and purchase child care from a provider of his choice, his or her choice. That provider must meet the state standards — licensing or regulatory standards — and also needs to be willing to accept subsidy payments for the services provided. The voucher, if you think of it in this regard, is more like a gift card that can be spent in any store in a shopping mall.

They have a set value, they're provided for a specific child but not for a specific provider, and they're good for a limited period of time — usually, we give vouchers for a one-month period, it could be a two-week period, but, again, it all depends on the policy that the lead agency establishes. Some lead agencies use grants and contracts to establish formal agreements with community organizations, schools, child care provider networks. The states usually will purchase a block of child care slots for children in certain age groups, and the amount the state pay is usually negotiated as part of the contract agreement with the provider or the contracted entity.

In determining the amount of child care that states authorize, it generally relates to the parent’s actual work, education, or training schedule, and the amount of time it takes the parent to travel to and from work. The relationship between the parent’s activity schedule and the amount of care a state will authorize is not necessarily one-to-one. For example, if the parent works four days a week, child care may be authorized for four days in one state, they may be authorized for a full week of care in another state. These policies vary considerably amongst states.

And there's another area where the subsidy program is changing, and that has to do with this actual relationship between the care hours, the parent’s work schedule, and the principles behind reauthorization, which really speak to continuity of care and the educational and developmental benefits for supporting full-day curricula and variable work schedules for parents.

For example, many parents may have split work schedules. A bus driver, for example, will have time on the job in the morning when they pick the children up and bring them to school and then some time in between, and then they go back for their second shift. The subsidy program is very progressively moving in the direction of supporting full-day care for these kinds of arrangements.

It's also important to recognize that nationally the subsidy program is moving forward in a very pragmatic way to delink the hours of care that are authorized from the parent’s actual activity schedule. Again, this is a major theme that has really emerged out of the new CCDBG legislation, and states are gradually rethinking their policies and practices to support full-day care, full-day curricula for children.

So how do states determine the actual benefit levels that they're going to pay? Usually, they're based on several factors: one, as we mentioned before, is the amount of care authorized as it relates in part to the parent’s activity schedule; the amount of benefits also is based on a child's age and the type of setting the child is in enrolled with; whether the child has special need considerations in the daycare setting; the enrollment schedule or times a child attends care and then finally, the state payment rates.

And we're going to talk a little bit more about state payment rates. Payment rates vary according to a child's age, the type of setting, and whether or not the children has special needs. Those are the three primary components. For example, a payment rate for a toddler enrolled in a child care center is different from the family child care home rate for the same child. Payment rates for children with disabilities usually are higher than the standard rate for children that do not have special needs. So we see states that have evolved policies, either they have a higher flat rate or they have a percentage increase over the standard rate to accommodate some of the extra accommodations that need to be made for children with special needs.

States establish payment rates based on market-rate surveys that measure the amount providers charge for care versus the actual cost of providing care, and that's a real important distinction. We're looking at what the market dictates in terms of how much providers can charge, versus the actual cost, overhead, staffing costs that it actually takes to provide that service to parents. That part is also changing, and states are moving toward cost-based models. Because the rates reflect prices charged in a local market, parent’s rates vary also by city, county, and geographic region. It's a primary responsibility of the states that when they conduct the market surveys to actually take a look at the local markets that are being served in a particular geographic area of the state.

There's broad differences in how states establish payment rates and how closely they reflect the results of the market surveys, and states also use different payment rate units. They can be hourly, daily, weekly. They can be monthly, by semester. Some states actually pay for ranges of hours, so we'll see, and you'll find this out, when you work with your lead agencies, the rates may be based on part-time, half-time, full-time care. There may be an extended-care rate for a child that is in care for, let's say, in excess of nine or ten hours per day.

States that use grants in contracts, as I mentioned before, usually have a negotiated flat rate, and that rate is generally not based on any type of a market-rate survey or charge. It's a negotiated rate directly with the provider or groups of providers or network that has the contract with the lead agency. CCDF also has a requirement for states to establish a sliding fee scale to provide for cost sharing by the families.

Copayments are based on family income and size, they're subtracted from the state payment rate prior to reimbursing the child care provider; very important to also understand that lead agencies under federal regulations have the flexibility to waive co-payments for families with income under the poverty level.

You will find that some states have different attendance policies as well. States with enrollment-based programs pay the full amount authorized on the child's care certificate regardless of the child's absences or program closures for holidays. Attendance-based programs pay the actual amount of hours the child attended for the billing period. Most have policies that pay for a certain number of absent days per billing period or per month; five, seven days per month is typical in that particular range.

Okay. Let's talk a little bit now about the timing of payments. Most, but not all states, issue payments after the services are provided. This means that if the service was given in the month of January that most states will not issue a payment until February. We call this paying in arrears. Most states do this, but many states do not. The majority pay monthly on their payment cycles, however some states issue payments more frequently, they can be weekly or they can be semi-weekly, it all depends on the state's system.

To receive payment, providers submit billing invoices to the lead agency or the lead agency's billing entity; could be a contractor or another section of the program. They can be submitted by mail, via fax, or other electronic methods. Some states have developed very dedicated online web portals for providers where they can not only go in and submit their invoices and attendance records, but they can also look up the status of each and every case, each and every child that's enrolled in their programs.

Some states use swipe card systems the parents use when they drop and pick up their children from care. Mostly we see this in states that are monitoring attendance and also having some type of a deduction from the payment when the absences in the pay period exceed a specific amount. Again, we talked about generally five days, I would say, would be an average period of allowed absences in most of the states. And lastly, a few states issue payments to parents instead of providers. This usually occurs when a parent has an enrollment for in-home care or relative care. We don't usually see it but licensed care providers and when we do see it, it's an uncommon approach. It's not the way states typically do their business.

It's important to recognize that the hours of care that children are enrolled in Early Head Start Child Care Partnership programs all fall under Early Head Start standards. The previous Head Start and EHS grant programs generally follow the concept of providing wraparound care where part of the day was considered to be Head Start and part of the day was considered to be the subsidy program. This is not the case with the EHS-CC Partnerships. The full day is considered to be Early Head Start.

So next, Kathie is going to talk to you about payments for higher quality care. Kathie.

Kathie: Thanks, Don. That was a great description of the rates that are paid for care of a child. Now, let's look at this rate from a different angle. We're looking at how providers are receiving rates that support quality, so we want to establish base rates that support the health and safety standards, offer higher rates for higher quality care, and then negotiate the rates through contracting. With Early Head Start, you'll want to leverage the revenue that they can get from the subsidy program.

CCDF agencies set provider payment rates by the type of provider, as Don said, centers or family child care homes and the age of the child. So there will be base rates for infants and toddlers for those types of providers. The Office of Child Care encourages states to establish their base rates to add or quickly support providers at some level of quality. And some states do offer higher rates to higher quality child care providers.

Sometimes this is called tiered reimbursement or involves the quality rating system that may have higher provider rates based upon the level of the QRIS. States can negotiate rates in their contracts that can allow them to pay a different rate, and this encourages Early Head Start to contract for slots. It is imperative that you have an ongoing communication system throughout the provider process. The grantee funds can support higher reimbursement rates within their budgets for paying higher providers' salaries.

Absences and the reporting of absences, as Don described, is important to understand, based on — the — how your local subsidy service agency pays. We need to make sure that you, as the Partnership and the child care provider, know of this absence process and how it is paid, and also tracking and reporting that, so to ensure that there's no surprises when you receive the payment rate from CCDF. This is how we can help support all of these partners within this child care program.

Relationships are a key factor for all the partners: CCDF, the Early Head Start, the child care provider and the family. We suggest that perhaps there could be liaisons or family service coordinators. As Early Head Start already has a part of their system, they would help the family obtain and retain eligibility; they would help them during eligibility redeterminations when they've been there for the twelve months; and then changes in family circumstances, such that perhaps the subsidy is lost, the family service worker or the liaison can help support this family in being reinstated in the subsidy system.

Another piece of this is developing agreements for the families and their child care providers with the Partnership that provides an understanding of the role of the family service coordinator or advocate, as we may call them. We need to understand the confidentiality concerns that are involved in subsidy eligibility and authorizations. So these agreements need to be with your subsidy agency and then also with the family that supports the confidentiality concerns. And, then, also have family consent forms that are formalized — they are signed by each partner in this to recognize the parent is receiving this assistance.

We hope that all of this information about subsidy and its important role in these partnerships has been helpful. Thank you so much, and we look forward to your questions.

Moderator: Thank you for participating in this Office Hour. Be sure to post your questions and comments in the chat room to the right to connect with your colleagues, as well as the content area experts.